

MONEY MANAGEMENT

How to Use *Ready, Set, Fly!*

Parents and youth can easily select the level of each activity, according to the youth's age, that will be most helpful to the youth's life skill growth. The difficulty of each activity is rated using the following scale:

Level 1 is for youth ages 8-10 years
Level 2 is for youth ages 11-14 years
Level 3 is for youth ages 15-18 years
Level 4 is for youth ages 19 and older

As a guide for parents and/or child welfare professionals, *Ready, Set, Fly!* offers many suggestions for creative life skills activities to help youth reach their life skill goals. Often just reading about these activities will give parents ideas to create their own activities, which may better fit their child's needs.

What is a Teachable Moment?

In the course of daily life, opportunities appear to guide a youth's life skill development. Often these occur when the youth wants, needs, or shows interest in something. The parent then invites the youth to engage in learning. Parents may also "create" these moments. The key for parents is to develop awareness of teachable moments and use them!

Money Management

Money, money, money! Whether it makes the world go around or not, money management impacts our lives in the short and long term. Achieving stable finances is a central aspect of achieving stability in other aspects of life. Teaching your children money management skills -saving, credit cards and loans, and budgeting and spending practices - helps them to learn important lessons before they get out on their own and can really get in financial trouble.

Beliefs About Money

1. What Money Means

Parents need to talk with their youth about the youth's views on money. Money means different things to people depending on their cultural community. It's important for a youth to understand what money means in his/her culture or community, and what the youth's own attitudes are regarding money. **Levels: 1 2 3**

2. Deciding What's Important

Ask youth to describe what they think is important to various people (parents/foster parents, friends, celebrities) based on what they spend their money on (clothes, charity, pets, cars). Ask youth what their priorities are for money (buying clothes, saving for a car, investing, paying rent, buying groceries, etc). **Levels: 2 3**

3. Games Reveal Our Values

As a family, play Monopoly, Life, or other games involving money, buying, or selling. While having fun, your youth will make choices that reflect their values and beliefs about money, which can spark a good family discussion. **Levels: 1 2 3**

Savings

1. Starting To Save

Get children used to saving by starting young children with a "piggy bank" and a small weekly allowance. **Level: 1** When the piggy bank gets full, take the child to the bank and open a savings account. Try to get the account in the child's name, show them the

savings account record book, and have them keep track of the interest their money earns.

Level: 2

Teachable Moment

Create incentives for savings. For example, if your child asks to buy a pet hamster, visit the pet store with your child to find out the cost of the hamster, cage, food, etc. Have your child add up these costs and plan for how they will save at least half the money for the pet. If they can reach their goal, offer "matching funds" to cover the remaining cost.

2. Family Savings Jar

Your family can have fun creating a "savings jar" to pay for special events, treats, or giving to charity. Have a discussion about what the savings goal will be and how much each member can contribute on a weekly basis. **Levels: 1 2**

3. Developing A Savings Plan

As youth earn money from chores or other means, encourage them to have a savings plan. For example, they could divide any earnings into portions: 30% for long-term savings (they don't touch it until they leave home); 30% for short term savings (for the things they want that don't cost too much); 30% for pocket money (for spending immediately); 10% for giving away. **Levels: 2 3**

4. Planning For Larger Purchases

Sometimes youth want to save up for larger purchases. Help them to create a savings plan. For example, if they would like to purchase a plane ticket to visit family or friends, help them to find out what a ticket will cost. Then help them plan how much money they will need to save each week or each month and how long it will take to reach their savings goal.

Levels: 2 3

5. Getting Started With Investments

Youth need to learn the value of long-term investments. Help your youth learn about investment options by taking them to talk with a financial advisor or finding investment information on the Internet. Work with your youth to select an investment the youth can put his/her money in for the next 3-5 years. **Levels: 2 3 4**

Taxes

1. Sales Tax

Each time you buy something, have the youth examine receipts to see how much money was added to the cost because of sales tax. **Level: 1** If your youth wants to make a larger purchase, have them figure out the total cost, including sales tax. **Levels: 2 3**

2. Payroll Taxes

To teach about payroll taxes, have the youth look at their pay stub and see how much was taken out from their wages. This is an opportunity to describe gross wages, net wages, FICA, etc. **Levels: 3 4**

3. Income Taxes

Once we begin to work, we all need to file income tax forms. To help a youth see the benefit of paying taxes, talk about where tax monies go (roads, schools, police and fire departments, social services, parks, stadiums, etc.). **Levels: 1 2** You can also help them prepare to pay income taxes by looking at the 1040EZ form. Have the youth identify what information will be needed to fill out the tax form correctly. Help the youth complete the tax form or ask a friend, relative, or accountant to assist them. **Levels: 2 3 4**

Banking, Credit Cards, and Loans

1. Financial Institutions

Talk to your child about the financial institutions you use and what services they offer. As you see ads for different places (credit unions, savings and loan, etc.), talk about how they are alike and different. **Levels: 2 3**

2. Early Practice For Checking Accounts

You can start helping children at an early age understand how a checking account and ATM works. If children are saving money in a "piggy bank", have them write a request to use the funds. Have them calculate how much money is in the jar and how much will be left if they take out the requested amount. **Level: 1**

3. Using Money Orders

Money orders are sometimes needed to make purchases or as a way to pay a bill. Have youth identify three places that sell money orders, determine the fee, and select the place they will buy the money order from. **Levels: 2 3**

4. Keeping A Checking Account

When your youth has a regular source of income, help them open a checking account.

Look at the checking account options available at different banks and credit unions and evaluate them as to monthly fees. ATM privileges, interest earned, etc. Show them how to write checks, read their bank statement, balance their checkbook, and use online banking. You may want to put them in charge of buying certain items like clothes or toiletries, in order to get some practice writing checks. **Levels: 3 4**

5. Learning About Credit

Help youth understand how credit works with a simple exercise. If they want to borrow money to buy a larger item, loan it to them. Tell them the interest rate for the loan and set up a payment schedule, with consequences for late payments. If the youth misses these payments, repossess the item. At the end of the payback, show the youth what the original cost of the item was, and then how much it really cost them because they paid you in installments with interest. **Levels: 2 3**

6. The Pros Of Credit

Talk to your child about how credit cards can be helpful (for emergencies, for making purchases over the phone/Internet, for reserving hotel rooms, etc.). **Levels: 1 2 3**

7. Buying A Car On Credit

Just about every youth would like to have a car of their own. Help them to understand what a car will really cost if they buy it with a loan. Pretend the youth has \$3,000 and wants to buy a car. Discuss the options such as buying an older car for \$3,000 or taking out a loan for a more expensive car. Use a computer program (like Quicken) or pen and paper to calculate what the interest and payments would be for a \$6,000 car loan spread out over five years.

Help the youth figure out how much a \$9,000 car would actually cost them after paying off the loan. Be sure to discuss what kind of car you can buy for \$3,000 vs. \$9,000 and how to assess what kind of car repairs and maintenance may be needed for an older car. **Levels: 2 3 4**

A Foster Parent's Story: Teaching About Credit

"I have a friend at work. He bought a piece of property and wanted to level it off and put a house on it. He needed some help and I recommended that my foster son could help him backhoe the yard. My son wanted to save for a plane ticket to visit a friend and family in another state. The job was a perfect way for him to make a little money. But it had other benefits as well. My friend and his wife have a great spread - nice home, vacation property, boat, and other nice stuff. Like a lot of kids, my son is into material things, and was very impressed. He asked my friend how much he and his wife earned. My friend replied that they had modest earnings. My son was amazed at what they could afford. My friend told

him that they were able to keep their debt down by paying cash for everything they could. He told my son "When we go in debt, it's planned out; we know where we are going with it and how long it will take to repay the debt." That statement made a tremendous impression on my son. He brought up the issue of buying on credit versus in cash just the other day. Sometimes real life experiences are the best teachers."

Foster parent, Tucson, Arizona

Budgeting and Spending

1. Learning To Use Cash

Go over coins and dollar denominations with your child. Show them how different combinations of coins add up (it takes 20 nickels, 10 dimes or four quarters to make a dollar). Have your child pay for something with cash at a store or fast-food restaurant, and help them make sure they received the right change. **Level: 1**

2. Playing "Store"

Give your children a toy cash register and some play money so they can have a pretend store. It's a great way for them to learn about "buying" things, making change and making decisions about purchases. **Level: 1**

3. Paying Bills

Have your child sit as you pay certain bills (utilities, insurance). Talk about the different methods for paying bills, such as automatic deductions, writing checks, paying online. Discuss pros and cons of each method and what happens if you don't pay your bills on time. **Levels: 1 2**

4. Practice Living On A Budget

Use a system of envelopes to teach youth how to live within a budget. Figure out how much money you spend for the youth's clothing, toiletries, haircuts, lunch money, spending money, or other items each month. Set up envelopes for each category and give youth the money for each category in cash at the beginning of the month (you could also start by doing it weekly). Explain that they are responsible for making these various purchases each month using the cash in the envelope and when the money is gone, it's gone. Be prepared for them to "blow it" the first couple of months you try this. This system teaches youth that if they buy the most expensive type of item, they may not have money for anything else. If the youth makes it to the end of the month with money left in the envelopes because they made thrifty choices, consider letting them spend the money or put it into savings. You may also want to include "savings" and "charitable giving" as categories for envelopes. **Levels: 2 3 4**

5. Practice "Earning" And "Spending"

You can help think about budgeting and planning ahead by establishing a system of credits and purchases. For example, the youth might get a certain number of credits every time they clean their room, help their younger siblings with a task, or do their homework. They can then use these credits to "purchase" things including games, treats, clothes, spending money, etc. This forces the youth to choose how they spend their credits, and helps them to learn to save their credits for things they really want, instead of "cashing" them in right away.

Levels: 1 2

6. An Experiment In Budgeting

Sometimes the best way to teach older youth about budgeting for expenditures is to let them try it on their own. If the youth has a job, let them spend their entire first pay check and then discuss how long the money lasted, what they bought, and how they might handle the next pay check. **Level: 3**

7.

Labor Saves Money

You can teach your child that "doing it yourself" often saves money. For example, if the child makes his/her own lunch at home (vs. buying a lunch at school) they can "earn" what the lunch would have cost at school. **Levels: 1 2**

8. Keeping Track Of Spending

Like many adults, youth may reach the end of the month wondering where all their money went. Have them hold on to their receipts and enter the amounts of each purchase into a notebook or computer program. At the end of the month they can see exactly where they spent their money. **Levels: 2 3**

9. Comparison Shopping

You can show youth how to make their savings go farther by comparison shopping. Take youth shopping at different stores. Talk about what you could buy for \$100 at a variety of stores. You can also use this as an opportunity to talk about quality vs. quantity.

Levels: 2 3

10. Handling Telephone Offers

Every day we are bombarded with telephone solicitations for credit cards, "free" offers, and other "giveaways." When a solicitor calls, have your youth ask them to send written

materials describing the offer. This helps teach youth that they need to carefully evaluate these offers and not make a decision right away. **Levels: 2 3**

11. Paying The Price For Name Brands

We are all subject to advertising. Buying "name brands" and more expensive items has tradeoffs. To teach youth about these trade offs, tell the youth your budget for a particular item (sweater, sneakers, hair care product). If they want something more expensive, they must use their own money to make up the difference. **Levels: 2 3**

12. Learning To Give To Charity

When budgeting, we should encourage giving to charity. One way to do this is to reward a youth's charitable giving by adding some of your money to it. When youth give away their money, match it. **Levels: 1 2 3**